



**COLORADO HB10\_1332 MEDICAL CLEAN CLAIMS  
TRANSPARENCY AND UNIFORMITY ACT  
TASK FORCE**

February 25, 2014

Mr. Jeff Hinson  
Regional Administrator, Centers for Medicare & Medicaid Services  
Department of Health and Human Services  
1600 Broadway, Suite 700  
Denver, CO 80202

Re: Proposal for Pilot Project Status and Funding; Administrative simplification provisions addressed in Section 10109 of the Affordable Care Act, “Consistency of Claim Coding Edits”

***CLAIM EDIT TRANSPARENCY:*** *NCVHS to investigate whether there could be greater transparency and consistency of methodologies and processes used to establish claim edits used by health plans (as described in section 1171(5) of the Social Security Act (42 U.S.C. 1320d(5)). It is believed that uniform edits could improve the quality of comparability across multiple payers in an all payer claims data base, and simplify claim submission compliance for providers....*

Dear Mr. Hinson:

The purpose of this letter is to formally place within your visibility and for your careful consideration the initiative undertaken in the state of Colorado to develop a uniform set of “medical claim edits”. During the 2010 legislative session Colorado’s lawmakers passed, by a wide bipartisan margin, HB10-1332 which instructed that a Task Force of a broad based set of stakeholders be formed to develop a uniform set of claim edits that would subsequently be adopted by all payers having contracts with providers in Colorado.

To this end a group of approximately 25 experts including national representatives from many health plans, vendors of software and providers came together voluntarily to deliberate; the membership list is included as an attachment. This group is now approximately 38 months into a 4 year project. This fully transparent process has solicited input from all stake holders, works by consensus and continues to add members.

The Colorado Task Force was invited to give testimony during a NCVHS hearing on Section 10109 in November 2011. Our testimony remains on the NCVHS website at <http://www.ncvhs.hhs.gov/111118p24.pdf>.

We now wish to specifically solicit your acknowledgement of our work with a request to recognize this program as the national pilot which it is and provide some funding for its final phase toward implementation. An outline of our work to date follows.

A uniform set of medical claim edits and payment rules is estimated to save approximately \$80 - \$100 million/year just in Colorado. Such a claim is borne out by the combined estimates of the America Medical Association's (AMA) white paper of 2010 where they find that the claims process consumes from 10 – 14% of all provider revenue and the Colorado SB06\_208 Commission Baseline financial findings that in the 2007 – 2008 timeframe Colorado provider revenue would be approximately \$8 billion. Applying the lower AMA finding of 10% of provider revenue yields \$800 million in administering the claims revenue process cycle. By further estimating that a uniform edit set would reduce rework and overall administration by only 10 – 12% the net is \$80 - \$100 million. We believe this to be a conservative estimate.

During the NCVHS hearings in 2011 testimony from the Health Billing Management Association (HBMA) submitted that they find “61% of all denied claims are associated with idiosyncratic payor edits” (edits unique to a payor). Continuing, “when written appeals disputing these denials were sent we were successful in 86% of the cases.” In the HBMA testimony this covered over 2 million claims in less than a year. When taken in the context of AMA's estimate that the administrative cost to contest a claim is \$100 - \$250 the scope of this problem begins to come into focus. This is a multi-billion dollar loss nationally and Colorado has stepped up to offer a real solution.

We recognize and acknowledge the merit and savings to health plan policy holders of their insurer's careful scrutiny of claims. Therefore we have meticulously carved out an area that encourages the thoughtful value added work of health plans to continue while eliminating wasteful rework of medical claims required simply to align them with individual payer's edit libraries, payment rules and interpretations of correct coding.

Please note that the health plans have participated voluntarily. However, their view of the severity of this problem is eschewed by circumstances and results in a differential of pain between the plans and the provider community. The health plans only see the claims rework caused and absorbed by their company, whereas the providers absorb the rework for up to 20 different health plans. Consequently, providers have a visceral opinion of the issue while the plans are willing to be helpful but not willing to bare great expense to get there. It is important to understand this circumstance objectively.

The development of the logic rules that will guide adoption of a uniform set of payment rules and claim edits by the MCCTF has been carefully crafted through input from health plans, medical specialty societies and revenue cycle software developers. These logic rules have subsequently been vetted to the larger expert public through a rigorous and transparent process. The logic rules include detailed rationale and examples and require a hierarchy that gives maximum weight to clinical credibility for edit sources.

Prior to the release of our first group of rules (bundle) for review an exhaustive search for all possible interested or affected parties was conducted nationally. Each party was formally notified of the planned release for public review and process for responses. An automated signup feature has been incorporated in our website and an ongoing list of entities requesting advance notification of new rules being posted for review is maintained. All entities are automatically notified so that responsibility for the public to be aware is weighed on the Task Force not the public.

During 2013 four separate bundles of logic rules dealing with different edit and payment rule categories have been submitted for public review. Each review period requires the rules to be posted for downloading from our website; a period for the public to consider the new rules; a period for public input; a period for the Task Force to revisit and revise rules as necessary; posting of formal statements addressing each request for change and what was done about it at our web site. In addition this process requires the Task Force members to again achieve a consensus or substantive unanimity around any changes made before such adjustments are posted.

The public review process described above has been very successful in eliciting interesting and important input from the public and rule changes have been affected accordingly.

Concurrent with the development of rule logic for adoption of edits and payment rules the Task Force has developed a set of investigative query categories for each rule to allow adequate vetting of the edit and payment rule library being brought forth. During 2014 the Task Force will import a universe of existing edits and payment rules from the industry into a data base and analyze them for compliance with the uniform rules for acceptance developed. This is an exhaustive and rigorous process but must be conducted for the Colorado uniform and transparently developed edit and payment rule set to have credibility with all those who use it. This will result in one end product of HB10\_1332.

To achieve a downloadable library of uniformly agreed upon and transparently adopted claim edits and payment rules the Task Force must enlist the help of a “data analytics” firm which can facilitate the necessary software and user interface to allow our query work. During late 2013 an exhaustive RFP process for a “data analytics” vendor was conducted and a contract awarded. Bishop Enterprises of Wilmington, DE is expected to begin this work in February.

A notable endorsement of the Task Force’s work by a national vendor of auditing logic software occurred when McKesson Software agreed to make the relevant portion of their commercial edit library available to the Task Force to create the initial edit data base to begin query work using the tools we developed. McKesson supplies edits to many of the largest payers in the industry and we believe this decision on their part to move this portion of their product into the public domain characterizes the industry’s growing acceptance that a uniform set of edits focused on correct coding is in everybody’s best interest.

In a parallel good faith initiative the AMA has contributed a royalty free license to use their CPT codes in the data analytics engine. The AMA has been instrumental in advancing our work on various fronts and fully endorses it with annual donations as well as acting as the ongoing outreach functionary to the medical specialty societies.

The State of Colorado has funded our “data analytics” with passage of SB13\_166 which included \$100,000 for ongoing administration and data analytics during 2013 and 2014.

We have a growing following from other states and interested parties. In their 2013 legislative session Vermont passed Act 79 2013 which effectively does exactly the same thing that our original enabling legislation did. They now have an RFP out to form the equivalent of our Task Force and mention the Colorado initiative by name and description. We are working with Vermont in an attempt to combine our efforts. The general acceptance and relatively uncontroversial character of adopting a uniform set of claim edits and payment rules is growing across the industry. Our work continues to lead the way and we believe it is time to acknowledge that at a national level.

In early 2014 the Task Force resolved to add a step in our process as we head toward a final release of a starting set of uniform edits and payment rules at the end of this year. The public review of our rules was so productive that we now believe it is essential to have a public review of the complete edit and payment rule library. To this end we propose 2015 as a period during which to conduct a final and full review by the public of the finished (draft) product. Legislation is currently being drafted in Colorado for this.

This public review period will also allow for a more formal testing of our long term governance process, to be recommended to the Colorado legislature as the second part of our overall product emanating from HB10\_1332 requirements. To allow this governance process to be tested ahead of any formal implementation date (currently 2017) is crucial to assure that the complete process maintains credibility with the industry.

The governance process must account for public review of the rules as they require adjustment and/or new rules. But this process must also allow for individual edits that would be submitted by vendors and/or health plans that are not yet incorporated in the uniform set to be vetted by the same even handed consensus driven process that carried the Task Force to the credible development and adoption thus far. The later stage governance must include a process for appointment of members and provisions for protest that can withstand rigorous debate over a long term without expensive litigation. It must remain sufficiently nimble to adopt new rules and edits quickly enough to prevent the recurrence of what has happened in the industry since 1996 when HIPPA law adopted the CPT codes as the convention of medical procedure communication without adopting a uniform interpretation of the codes.

It is the request of the Colorado Clean Claims Task Force that our 2015 testing period be explicitly identified by the Department of Health & Human Services (HHS) as the preferred example of satisfying the Affordable Care Act sec 10109 regarding medical claim edit development uniformity and transparency. We have clearly met the standard

for inclusiveness and thus far passed the test of being able to meet the full stakeholder bandwidth of acceptance in this work.

The health plans have been voluntarily at the table for over 3 years and now deserve assurance that before our work is implemented in Colorado that HHS endorses it as the path of preference. Among the worst fears of health plans are; 1. they could face a multitude of state solutions that differ. 2. the federal government might adopt some other approach. These fears must be allayed very soon by the federal government or the Colorado initiative could be for naught. The 2015 testing period presents a perfect time and opportunity for the department to endorse a solution brought to its doorstep for a statutory responsibility not yet addressed.

To this end the Colorado Clean Claims Task Force would like to be acknowledged as a “National Pilot” developing a uniform claim edit library through a transparent process that meets the inclusiveness and non-conflicted requirements of the Affordable Care Act.

As such it is hoped that HHS could supply some funds for the 2015 testing period to cover the costs of ongoing data analytics and staffing for the governance body. We estimate this to be approximately \$300,000 during calendar year 2015. In addition we believe that some monetary consideration must be made for the implementation costs of the health plans participating in the pilot in 2017 in Colorado and other states that wish to participate (VT). This could be in the form of exemptions for these expenses from Medical Loss Ratio (MLR) in the implementation year only or possibly some other form of offset.

It cannot be overstated that there are numerous ancillary benefits of this work. The quality of the comparability of information across multiple payers in an All Payer Claims Database is greatly enhanced by uniform claim edits; the application of uniform claim edits across multiple payers provides a common baseline for moving to new payment models; “at time of service “personal medical expense responsibility becomes more viable; the trust between trading partners, now at an all-time low begins to be healed by the transparency of this work.

Respectfully,



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## Draft Budget

<b>Line Item</b>	<b>2015</b>		<b>2016</b>	
Data Analytics	\$	100,000.00	\$	50,000.00
Project Management	\$	94,800.00	\$	50,800.00
Legal	\$	10,000.00	\$	5,000.00
Communications	\$	25,000.00	\$	15,000.00
In-Kind (Food)*	\$	4,000.00	\$	3,200.00
Contingency	\$	27,576.00	\$	14,496.00
<b>TOTAL</b>	<b>\$</b>	<b>261,376.00</b>	<b>\$</b>	<b>138,496.00</b>

\*Costs of food for on-site meetings are covered by TF members.

## Budget Narrative

### **Data Analytics**

The project will require ongoing contracting with Bishop Enterprises to both maintain and update the edit library. We anticipate this requiring an extension of our current contract with Bishop for \$100,000 (2015) and \$50,000 (2016). Tasks for this period will include: maintaining and updating the edit library on a quarterly basis; producing reports; analyzing reports; and working in conjunction with the TF to address specific issues/questions on specific edits. In addition, the scope of the data analytics will be expanded to directly support end users in downloading and alternative formatting of the data set for user testing purposes.

### **Project Management**

Project management entails a half time project assistant tasked with meeting logistics, minutes, communications with TF members and website maintenance. For the project assistant, \$2400/month for the 2015-2016 period is budgeted at \$25/hour. A project manager oversees the work of the project assistant and ensures that the project remains on time. Other responsibilities of the project manager include fundraising, budgeting, and project planning. In 2015, \$5,500/month is budgeted for 12 months at an hourly rate of \$175/hour. In 2016, \$22,000 is budgeted at \$5,500/month for four months. This is based on an hourly rate of \$175/hour.

### **Legal**

The project will require input from an attorney in the following areas: contract review and implications of governance-related functions vis-à-vis dispute resolution. In 2015, \$10,000 is budgeted based on an assumption of 20 hours of legal support at \$500/hour. In 2016, \$5,000 is allocated based on an assumption of 10 hours of legal support at \$500/hour.

### **Communications**

The project currently has a website which is maintained and updated by project staff. As the project evolves, we anticipate this website will need to be updated and revised in a manner that ensures a strong public process for review of edits. This may require altering the site architecture. In 2015, \$5,000 is budgeted to obtain the support of an IT contractor to make necessary updates to the website. In addition, as the project ramps up, there will be growing needs to communicate with key stakeholders (both locally and nationally). This may require the development of communications materials with graphic design and copy-editing. These materials (both print and electronic) will be targeted toward other state-level organizations and legislatures, health plans (including plans that are not presently participating in the process) and vendors about happenings with the Colorado TF. In 2015, \$20,000 has been allocated for this purpose and in 2016, \$15,000 has been allocated.

### **In-Kind (Food)**

Meeting related food expenses are covered by TF members. We budget \$800 per on-site meeting. There will be five on-site meetings in 2015 and four on-site meetings in 2016.

### **Contingency**

The contingency is 12% of overall anticipated costs. This includes the following: purchase of miscellaneous commercial software to support project needs, travel as required, and teleconference and webinar expenses.

# Draft Work Plan, January 2015-December 2016

Key	
<b>X</b>	Signifies an item that has been completed
<b>!</b>	Signifies an item that has NOT been completed yet
	Signifies an "ongoing" event
<b>!</b>	Indicates that deadline has been missed

Activity	2015												2016												Date
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Task force solicits interested parties to put their contact information on an interested parties list of insurers, vendors and others who want to be notified of solicitations for input, comments, task force hearings, etc.																									Ongoing
Website set up to include all notices and public comments.																									Ongoing
Glossary updated																									Ongoing
Finalize governance process for: - Legislature - Edit process and review - Division of Insurance																									Ongoing
Data analytics contractor oversees and coordinates system to accept & analyze edits.																									Ongoing
2nd Set of Rules: Draft edit set published for public comment.	!																								January 2015
2nd Set of Rules: Public Comment responses published.		!																							March 2015
2nd Set of Rules: Final edit set approved by TF.		!																							March 2015
3rd Set of Rules: Call for submission of edits from vendors, payers and others issued		!	!																						Early March, 2015
3rd Set of Rules: Rules and Edit Committee review and analyze edits with IT support from analytics vendor with recommendations for public comment.			!	!	!																			Mid-April, 2015	
3rd Set of Rules: Draft edit set published for public comment.					!	!	!																	Mid-June 2015	
3rd Set of Rules: Public Comment responses published.								!																Mid-September 2015	

